



Washington, D.C. 20505

20 SEP
1984

The Honorable Lionel H. Olmer
Under Secretary for International Trade
Department of Commerce
Washington, D.C. 20230

Dear Lionel:

I received your letter of 12 September requesting information for the US-USSR Working Group of Experts meeting planned for Moscow in December.

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We will be happy to work with you in developing background material for the meeting. Our people in the Soviet Economy Division, Office of Soviet Analysis are already working on several aspects of your request, and they continue to maintain contact with members of your staff. A representative of mine will be attending the planning group meeting on Friday at Commerce.

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I have given a high priority to your needs and anticipate that we will be able to meet your deadline of the end of October.

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Sincerely,



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Robert M. Gates
Deputy Director for Intelligence

Not referred to DOC. Waiver applies.

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UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

DDI-05285-84

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Mr. Robert L. Gates
Deputy Director for Intelligence
Central Intelligence Agency

Dear Bob:

(C) At the end of June the United States and the Soviet Union extended the Economic, Industrial, and Technical Cooperation Agreement (EITCA). Subsequently, the Soviets agreed to a U.S. proposal to hold a meeting of the Working Group of Experts established by the EITCA. This Experts group will review the status of our bilateral trade and lay the groundwork for a possible session of the Joint U.S.-U.S.S.R. Commercial Commission (JCC), which is chaired by Secretary Baldrige and Soviet Foreign Trade Minister Patolichev.

(C) A June 26 National Security Council memorandum to Secretaries Baldrige, Shultz, and Regan directed the Department of Commerce to take the lead in preparing for the Experts meeting. Secretary Baldrige has designated me to head the delegation for the meeting, which is planned for Moscow in December. The last JCC and Working Group of Experts meetings were held in 1978.

(C) The Department of Commerce will lead an interagency effort to develop issues, positions, and objectives for the Experts meeting. Policy issues that emerge in the course of these interagency discussions will be brought to the SIG-IEP and the NSC for review. Throughout this process, and in the Experts meeting itself, it is essential that we have our objectives and our national interests well-defined and that we have an accurate understanding of Soviet objectives, needs, and capabilities.

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(C) We need the best available information and estimates concerning what the Soviets need in the trade area, what they are likely to seek from us, and in what sectoral areas discussions with them could lead to expansion of non-strategic trade in a manner beneficial to the United States. Naturally, we are seeking information from U.S. companies experienced in dealing with the USSR. There is, however, no substitute for the CIA's unique resources and analytic skills. Your analysis of Soviet industrial needs, capabilities, and plans will be vital. I expect most of the information requested is already on hand and may only have to be updated.

(C) The seven key areas indicated in the attachment are those in which we have the greatest information needs. Estimates and key judgments in these areas will determine in large part the U.S. objectives for the Experts meeting and the strategies to be used in the course of that meeting. In order to be of the maximum utility in this process, the papers presenting your analyses and judgments would have to be completed by the end of October. I hope that sufficient priority can be given to this project so that it can be completed by that time.

(C) My staff has already held some informal discussions with CIA's SOVA staff regarding the types of analysis we believe are most needed for the Experts group meeting, and an excellent working relationship has already been established. I look forward to working with you on this in the coming months.

Sincerely,


Lionel H. Olmer

Attachment

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Attachment

Information Requested from CIA in Preparation for
Working Group of Experts Meeting

- (C) 1. Analysis of the Probable Objectives and Approach of the Soviet Ministry of Foreign Trade (MFT) to the Experts and JCC Meetings, including: (a) The goals, general and specific, that the Soviets will have for the Working Group of Experts and JCC meetings; (b) Internal MFT politics, including the health and recent travel of Minister Patolichev and the standing of various possible counterparts at an Experts meeting; and (c) Biographies of the Soviet delegation and other relevant officials.
- (C) 2. Assessment of Aspects of the Soviet Economy and Industry Affecting Their Ability to Trade with the United States, including: (a) Soviet economic performance and outlook; (b) Soviet hard currency trade and debt; (c) Past trends and outlook for Soviet purchases of Western equipment; and (d) Forecasts of Soviet foreign exchange earnings and the pattern of their use in terms of agricultural and industrial sectors.
- (C) 3. Analysis of the Soviet Attitude Toward Trade with the United States, including: (a) Soviet interests and ability to increase significantly their imports from the United States in non-agricultural areas. This should include an estimate of whether, and under what circumstances, the Soviets would be willing to redirect purchases away from Western Europe and Japan; (b) The reasons why Soviet foreign trade organization officials currently are not inviting American firms to bid on some projects. Is this the result of a direct written or oral directive or something that these officials have simply come to assume is desired by those above? (c) Past and present role of U.S. trade in the Soviet economy; and (d) State of play in the Soviet leadership, including the ability to make decisions.
- (C) 4. Identification of the Sectors in which U.S. Products Are of Greatest Potential Interest to the Soviet Union. Using information on Soviet industrial capabilities, needs, plans and priorities, which are the 10 sectors in which U.S. products are of the greatest potential interest to the U.S.S.R.? What are the reasons for a Soviet interest in U.S. products in

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greatest potential interest to the U.S.S.R.? What are the reasons for a Soviet interest in U.S. products in those areas instead of other Western suppliers? This work could provide the basic analysis for pinpointing the most promising areas and realistically assessing their trade potential before our discussions with the Soviets.

- (C) 5. Analysis of the Soviet Machine Tool Industry, including: (a) Analysis of Soviet machine tool capabilities relative to the West and ability to meet the needs of Soviet industry; and (b) Past trends and outlook for Soviet purchases of Western machine tools.
- (C) 6. Update on the Potential for Trade in Agricultural and Food Technology and Equipment. This is the primary area where there has been Soviet interest in U.S. suppliers during the past couple of years. A report on recent developments in this sector and analysis of the potential for Soviet purchases of Western technology, including American, would be particularly useful in determining further possibilities for trade expansion.
- (C) 7. Assessment of Prospects for Soviet Energy and Analysis of U.S.S.R. Requirements for Equipment and Technology. Deputy MFT Minister Sushkov has stressed this area as being of the single greatest interest to the U.S.S.R. In assessing Soviet interest, basic factual information is needed, including: (a) Analysis in the form of charts (divided into four major components: oil and gas exploration, production, transmission, and refining) on Soviet petroleum equipment needs, listing alongside the indigenous capability to manufacture each item, and the extent of foreign availability; (b) The extent of West European and Japanese sales to the Soviet energy sector from 1980-1984, broken down by year; (c) West European and Japanese capability to carry off major Soviet projects, such as exploration and development of offshore and onshore oil and gas deposits, without participation by U.S. firms; and (d) Prospects for the Soviet coal industry, including Western participation in slurry pipeline construction and other projects.

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